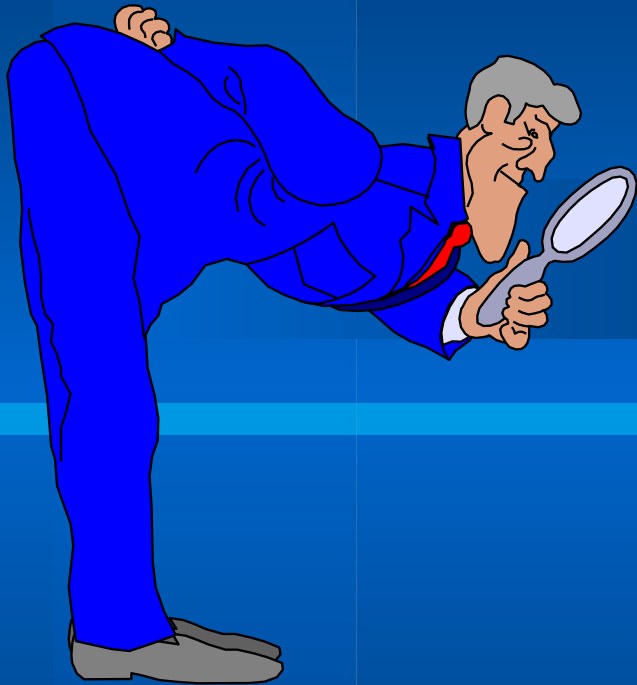


# Purchase Card Abuse/Fraud Detection



**CDR Cheryl Upton**  
**DOD Purchase Card**  
**Program Management**  
**Office**

# Fraud Detection Overview



- \* History/Background
- \* Operation Mongoose Overview
  - Authority
  - Direction
  - Network
  - Purpose
  - Detection
  - Process
  - Services Provided
  - Benefits
  - Areas Selected
- \* Progress To Date
  - Phase 1
  - Phase 2
- \* Lessons Learned
- \* Future

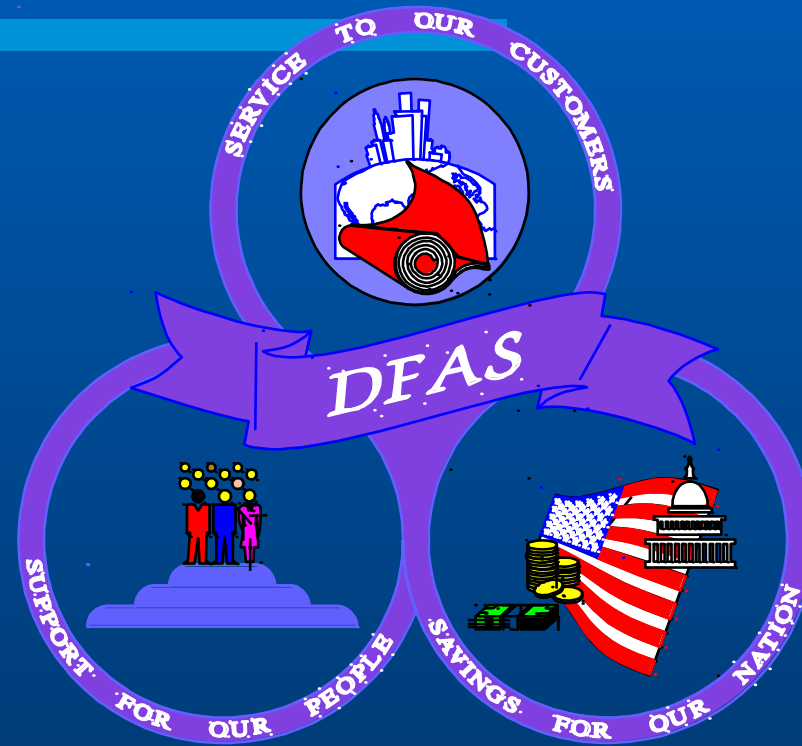
# History/Background

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- **Card > 10 years**
- **Partnered with Operation Mongoose**
  - **Joint Report of the FMT & PCIPT (9/30/96)**
- **First Pilot - Fall 1998**

# Operation Mongoose

## *Overview*



1996  
*Hammer  
Award  
Winner*



# Operation Mongoose

## Authority

**1994**

**On June 30th, the Under Secretary of Defense (Comptroller) Approved the Establishment of a Joint Fraud Detection and Prevention Operation.**

# Focus Group

**DMDC**

**DFAS**

**DoDI**

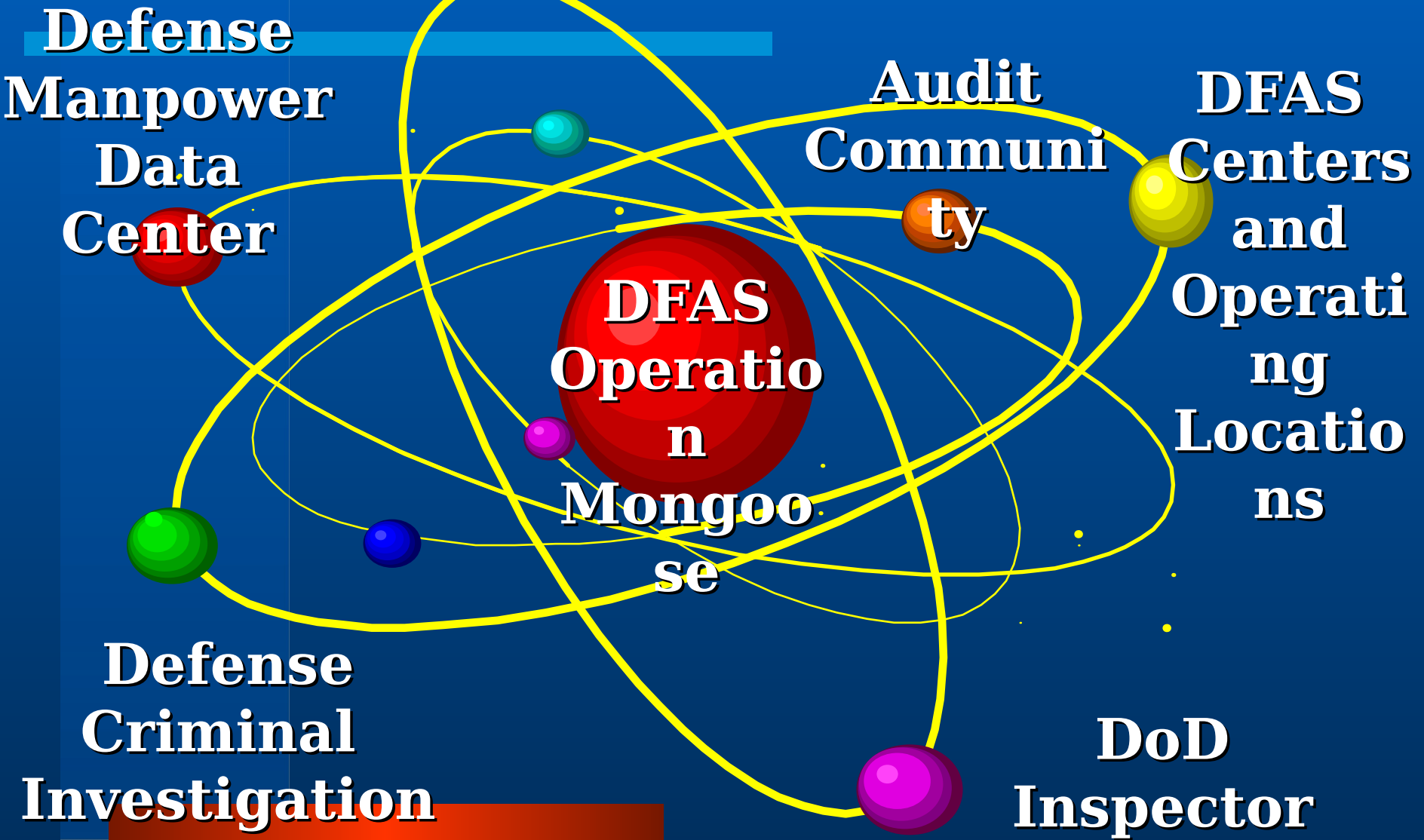


***DFAS Determines the Direction of  
Operation Mongoose Based on  
Input from a Focus Group  
Comprised of Representatives from***

**DFAS DMDC J4 DoDI**

# Operation Mongoose

## DoD Network



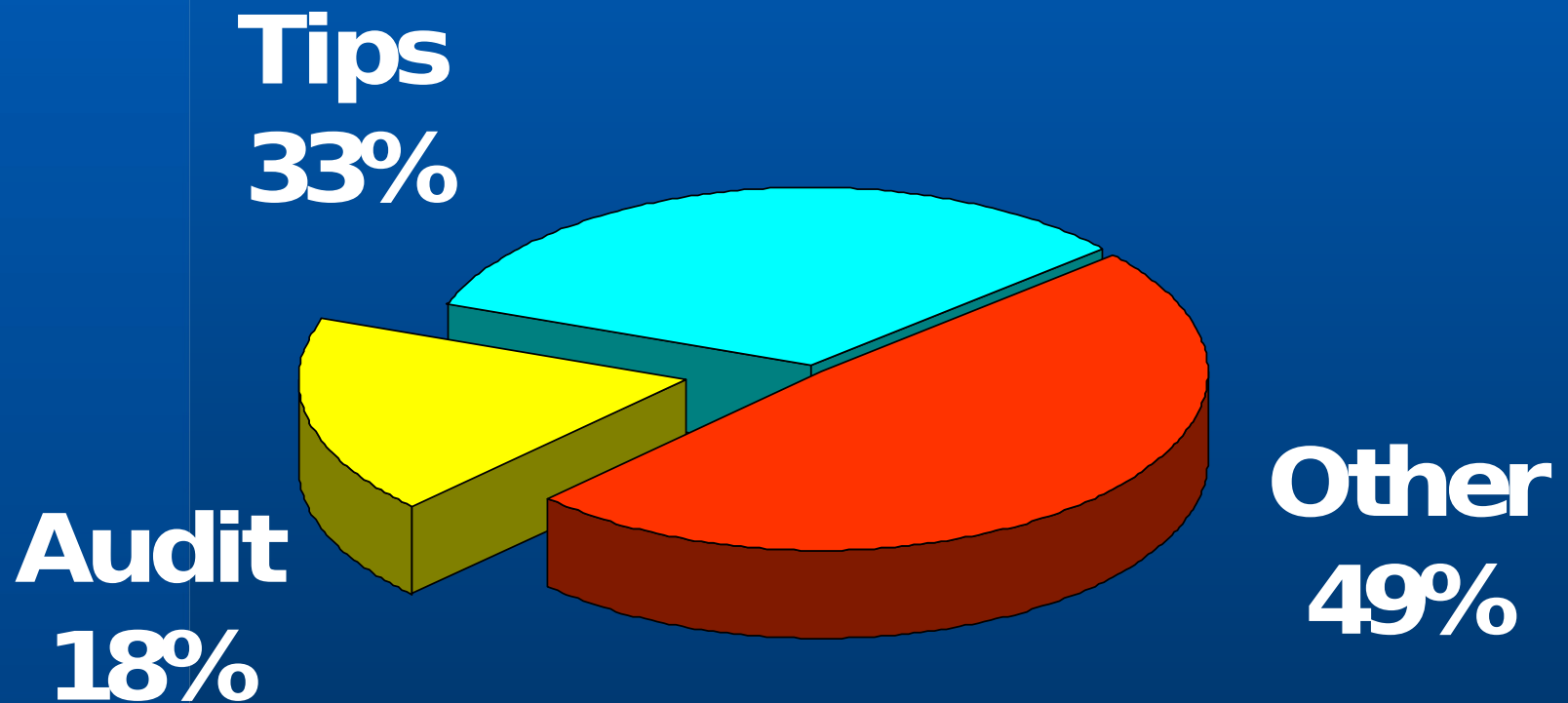
# Operation Mongoose

## Purpose

- **Develop and Operate an Active Fraud Detection ...**
  - Operation Mongoose Process.
  - Ad Hoc Requests.
  - Use Enhanced Technology.
- **... and Prevention Unit to Minimize Fraudulent attack against DoD Financial Assets.**
  - **Strengthen** Internal Controls.
  - **Improve** Business Processes.
  - **Promote** Fraud Awareness.



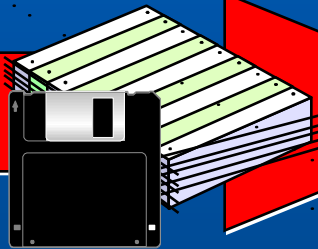
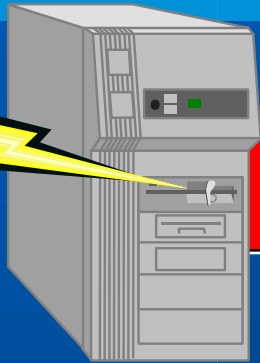
# How Fraud Is Detected



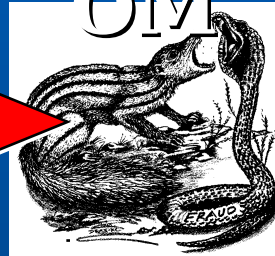
*Source: Association of Certified Fraud Examiners*

# Operation Mongoose Process

**DMDC**



**DFAS  
OM**



*Suspected  
Fraud*

**DoDIG  
/DCIS  
and**

*Feedback* **MCIOs**

**OM  
Field  
Team**



**Center  
or  
OpLoc**





# Ad Hoc Requests

- **Normally Originate with a Request for Information from an Investigative Organization.**
- **Primarily Focus on Suspected Fraud.**
  - Assist Investigations of Suspected Fraud.
  - Use Knowledge Gained from Participation in Actual Fraud Cases to Develop and Refine Fraud Indicators.
- **Will Support to the Fullest Extent Possible.**

# Intangible Benefits



- **Fraud Deterrence.**
    - Strengthen Internal Controls.
    - Improve the Business Process.
    - Promote Fraud Awareness.
  - **Use of Enhanced Technology.**
    - Data Mining.
    - Remote Access to DFAS Payment Databases.
    - Operation Mongoose Tracking System (OMTS).
- Prevention Measures*

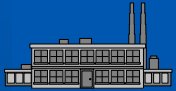
# Strengthen Internal Controls and Improve the Business Process

- **Mongoose Referrals May Result in Material Findings.**
  - Refer Suspected Fraud to Investigators.
  - Document Internal Control Weaknesses.
  - Operational Offices Can Initiate Collection Action.
  - Operational Offices Can Implement Procedural or System Changes to the Business Process.
- **Produce Additional Mongoose Referrals.**
  - Findings Should Be Drastically Reduced.
  - Repeat Process if Findings are Material.

# Promote Fraud Awareness

- **Mongoose Presence During On-Site Reviews.**
- **Wide-Spread Use of Mongoose Referrals by DFAS Centers.**
- **Conduct Aggressive Marketing.**
  - **Publish Articles.**
  - **Publicize Cases.**
  - **Presence at Professional and Technical Conferences.**
  - **Cardholder Statement inserts**

# Areas Selected for Fraud Detection



**Vendor Pay**



**Transportation Pay**



**Military Pay**



**Retired/Annuitant**

**Pay**



**Civilian Pay**

# Operation Mongoose

## The Bottom Line for

### Success

- **Build and Maintain Cost-Effective Internal Controls into Business Processes.**
- **Develop and Implement a Strong Fraud Prevention and Detection Program.**
- **Increase Fraud Awareness among Employees.**
- **Use Lessons Learned from Actual Frauds**

***Adds Up to a Sound Strategy to Reduce Fraud***



# Progress To Date

- **Pilot - Phase 1 -**
  - **4M Transactions (Jan - Jun 98)**
  - **1400 Transactions Suspect**
  - **202 Selected Transactions**
    - **15 Fraud/Mis-Use**
    - **65 Miscoded**
    - **107 Authorized/Proper**
    - **15 No response**

# Progress To Date - Cont

## ● **Pilot - Phase 2**

- **4 M Transactions (Jul 98 - Feb 99)**
- **86 transactions selected**
  - **Field Research (4 - 5 locations)**
  - **19 Invalid MCCs**
  - **20 Invalid Trans - All disputed/resolved**
  - **41 Valid Transactions**
  - **5 Cash Trans - not actually cash**
  - **1 Two businesses/One machine**
- **Additional Validation Requests**

# Lessons Learned

- **Invalid MCCs**
- **Mis-Use not always evident**
- **Internal Controls *Extremely* Important**
  - **Placing Accountability with Empowerment**
    - **The CH and AO/Certifying Officer Relationship is key here**
    - **Positive Controls must be in place**

# Future

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- **Fraud Modeling**
- **Data Mining**

# Questions ??

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  - **703-681-3314 (DSN 761)**